

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 06, 2014

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representative(s) Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Trujillo, Agidius, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** Reps. Barrett, Moyle, Agidius.

GUESTS: David Braswell, Tamara Mackenthun, Division of Veterans Services; Brad Carr, Idaho Federation of Independent Schools; Michael Sage, parent; Jean Lockhart, Boise Rescue Mission; Shelly Matthews, LAM Christian Academy; Terry Ryan, Idaho Charter School Network; Robbie Rhinesmith, Friedman Foundation; Phil Homer, Idaho Association of School Administrators; Jane Whittmeyer, Coalition of Idaho Charter Schools; Paul Stark, Idaho Education Association; Kristyn Kirschenman, Risch-Pisca; John Eaton, Miguel Legarreta, Idaho Association of Realtors.

Chairman Collins called the meeting to order at 8:32 am.

H 507: **Rep. Vander Woude** presented **H 507** stating this legislation is very similar to what was presented in 2013. **H 507** would provide a 50% credit on state income taxes to individuals and corporations donating to nonprofit scholarship granting organizations (SGO's). There is a three year carry forward provision and corporations would be limited to a maximum of 50% of the Idaho corporate tax liability. The total amount of all tax credits statewide would be limited to \$10 million each fiscal year. If the \$10 million cap is reached, it will automatically increase, based on the Consumer Price Index (CPI). There are restrictions on students qualifications for eligibility and SGO's are only permitted to use 10% of the donation for administrative costs. There is a prohibition against providing scholarships for students to attend any school with paid staff, board members or relatives in common with the SGO. Rep. Vander Woude said eligible students can receive a maximum scholarship, 80% of the total cost of tuition and fees, which is to ensure parents have 'skin in the game'. The remaining 20% will come from the family. There are currently 10,000 students enrolled in private schools, representing 3.5 % of Idaho's student population. Families would qualify based on income level and the estimate of 9,000 potential students was used to determine fiscal impact. Rep. Vander Woude stated the average scholarship is \$2,700.

In response to a question, **Rep. Vander Woude** said the legislation includes a stipulation preventing a tax refund from being paid in the event the SGO tax credit results in a negative tax owed. The tax credit can be carried forward up to three years.

Brad Carr, Superintendent, Cole Valley Christian Schools (CVCS), testified in **support of H 507**. CVCS graduates 100% of their students and most go on to secondary education. The desire is to have access for parents and the primary reason preventing attendance at CVCS is financial. This legislation allows parents to choose the education their children receive and provides access to all students who may not otherwise be able to afford this option.

Michael Sage, parent, testified **in support of H 507**. Mr. Sage has two sons. One is in public school, the older son attends Cole Valley Christian School. The older son was having difficulty in public school since entering kindergarten. He had an Individual Education Plan (IEP) and went through extensive testing, which led to a diagnosis of dyslexia and other learning differences. When this child was in the third grade, he attended a combination of both public and private schools. Mr. Sage spoke of his frustration when it was determined his son needed an aide, but no school district funding was available, because he wasn't disruptive in class. When Mr. Sage offered to pay for the aide himself, he was told due to contract and security concerns, this option was not possible. It would be unequitable as not all parents could afford to pay for added special assistance. Mr. Sage stated he didn't want his child to fail, due to public policies and he subsequently elected to enroll him in private school. While the Sage family is fortunate and can afford the tuition, **H 507** would allow lower income families to seek the best education for their children.

Jean Lockhart, Vice President, Women and Children's Ministries, Boise Rescue Mission, spoke **in support of H 507**. Through the scholarships provided by Cole Valley Christian School, six of the children from the Boise Rescue Mission are attending private school, and doing well. Ms. Lockhart stated Idaho offers many options to education; private, public or home schooling. This legislation is important in allowing access to private education options, regardless of income.

Terry Ryan, President, Idaho Charter School Network (ICSN), testified **in support of H 507**. The ICSN is represented by 85% of Idaho's Charter Schools, as members, and 90% of charter school students. This legislation provides a choice and a wide range of education opportunities.

Robbie Rhinesmith, Friedman Foundation, testified **in support of H 507**. The Friedman Foundation is a legacy foundation and promotes school choice for all children. Mr. Rhinesmith stated approximately 250,000 students in the nation are getting scholarships for private schools. Eleven out of twelve Gold Standard Studies conducted show significant academic gains from school choice. Even among the more than 90% of students in public schools, the option of school choice improves their academic performance. Six empirical studies showed school choice saved money for the state. Mr. Rhinesmith said this legislation is about students, parents and choosing the right school and will help all parents, not just the wealthy. Of 23 studies on school choice, focused on public schools where private schools are also an option, 22 of those studies showed test scores of public students improved when school choice vouchers were offered in the district.

In response to a question from the committee, **Mr. Rhinesmith** stated the studies covered both secular and nonsecular private schools across the nation. Additionally, **H 507** provides requirements for schools and students, including accreditation requirements, compliance with federal discrimination laws, and is applicable to schools serving all religions.

Shelly Matthews, principle at Lamb Christian Academy in Coeur d' Alene, testified **in support of H 507**. Ms. Matthews stated half of this years first grade class has learning disabilities with a wide range of reading levels, from 14 words per minute (wpm) to 270 wpm, presenting a challenge for teachers. This legislation will help families make the right choice in how their children can get the best education, specific to each child, and their unique situation.

Phil Homer, Idaho Association of School Administrators and Idaho School Boards Association, testified **in opposition to H 507**, stating it would divert funds away from the goals the Governor's Task Force on Education has outlined. Mr. Homer said the Article IX, Section 1 of the Idaho Constitution requires the Legislature to establish and maintain a general and uniform public education system. If the \$10 million did come through the revenue stream, schools would get \$4.7 million and this legislation would take funds from public education.

In response to a question, **Mr. Homer** acknowledged this legislation could save the state money, but local school districts would lose money. Schools have fixed costs. If the revenue stream is decreased, there is less money going to public schools. Mr. Homer stated, in response to a question, unless there is a marked decrease in public education enrollment, even if schools have overcrowding, this would not help since there are still fixed costs that need to be covered. He concurred the loss would be through a decrease in the Average Daily Attendance (ADA) schools received, based on student enrollment.

Paul Stark, General Counsel for the Idaho Education Association (IEA), testified **in opposition to H 507**. The IEA supports school choice, but also supports a strong public education system. The IEA's position on **H 507** is it's essentially a voucher system, but granted through a tax credit and ultimately, the money is going to private schools. The net effect is funding to public schools will be cut. While the state may realize savings, schools districts will see a decrease, especially in very small school districts. When student enrollment declines, while the variable costs may decrease, the fixed costs are still there. Corporations get a tax credit and a deduction for donating to a nonprofit.

In response to a question, **Mr. Stark** agreed the discussion has been with the assumption that every student using this program would represent a loss from a public school. While this is speculative, the fiscal note refers to the number of students leaving public schools. Mr. Stark stated while he could not respond to specific examples in prior testimony, anecdotal incidents should not be used to make broad-sweeping policy. He suggested there are other avenues such as local school boards, the Department of Education or House Education Committee better situated to address specific situational issues. This bill will help support and sustain a religious school and Article 9 of the Idaho Constitution prohibits that action.

Responding to a question, **Mr. Stark** said the fiscal note is a projection, but the ADA will decline if 659 students leave public schools. Small schools will suffer a greater proportionate hit. Idaho is currently ranked 50th in per pupil spending, with an average of between \$5,000 - \$6,000. The effect this legislation will have on schools of varying sizes is purely speculative, but the certainty is, a \$10 million door has been opened, having a negative impact on public school funding.

Mr. Homer responded to a question stating there are about 280,000 students in Idaho.

Chairman Collins turned the gavel over to **Vice Chairman Wood(35)**.

Mr. Stark responded to a question by reiterating, while there are unique anecdotal situations, this bill is about money and tax credits. It is not good public policy to make sweeping changes based on a few situations.

Jane Wittmeyer, Coalition of Idaho Charter School (CICS), testified **in support of H 507**. CISC supports school choice and this legislation is about school choice. School choice is necessary and this bill provides an option to families who otherwise may not be able to afford the best choice in how to educate their children.

Robbie Rhinesmith responded to a question stating Idaho already provides tax credits for religious schools. The key language is the word "appropriation" in the Idaho Constitution and while the meaning of the word is arguable, tax credits can't be considered as an appropriation at the federal level. The Idaho Attorney General's opinion on last year's bill was, while it may be challenged, it is defensible and likely to be upheld.

Rep. Vander Woude summarized, stating this legislation is about school choice. The tax credit only allows 50% of eligible donations to be credited and tax credits can only carry forward three years. SGO's can't sit on the funds and must spend 75% of donations every year, so no more than 25% of the annual revenue is carried forward into the next fiscal year.

MOTION: **Rep. Anderst** made a motion to send **H 507** to the floor with a **DO PASS** recommendation.

In response to a question, **Rep. Vander Woude** clarified the qualified deduction comes off total income. SGO's have a trading provision so if one school gets more donations than needed, they can transfer funds to another school, provided all of the transferring entity applicants have been served. In terms of the fiscal note, the ADA was used and **Rep. Vander Woude** noted, budgeting for school districts is done on a projected enrollment basis. Responding to question on the probability of a lawsuit, if the \$10 million limit is reached and a claim is made by a potential donor unable to take advantage of the tax credit. **Rep. Vander Woude** said there are limits on a variety of other similar opportunities.

SUBSTITUTE MOTION: **Rep. Burgoyne** made a substitute motion to send **H 507** to General Orders.

VOTE ON SUBSTITUTE MOTION: Roll call vote was requested. **Motion failed by a vote of 4 AYE, 7 NAY, 5 Absent/Excused. Voting in favor** of the motion: **Reps. Anderson(31), Burgoyne, Erpelding, Meline. Voting in opposition** to the motion: **Reps. Wood(35), Raybould, Denney, Anderst, Dayley, Kauffman, Trujillo. Reps. Collins, Moyle, Barrett, Hartgen, Agidius were absent/excused.**

VOTE ON MOTION: **Vice Chairman Wood(35)** called for a vote on the motion. **Motion carried by voice vote. Reps. Burgoyne, Meline, Erpelding, and Anderson(31)** requested to be recorded as voting **NAY. Rep. Vander Woude** will sponsor the bill on the floor.

H 584: **Rep. Perry** presented **H 584** related to the homeowners exemption eligibility for active service members who are deployed outside of Idaho. This legislation would allow them to maintain their homeowners exemption whether they are deployed to a combat zone or not. Sometimes, service members are in a combat zone intermittently throughout a period of time. Also, active duty orders do not always specify the deployment location, when the information is classified. The legislation includes an aspect of personal responsibility on the part of the individual, since they must reapply annually and provide proof of deployment to keep the exemption. **Rep. Perry** stated the Division of Veteran's Affairs and the Idaho Association of Counties are both **in support** of this legislation.

MOTION: **Rep. Raybould** made a motion to send **H 584** to the floor with a **DO PASS** recommendation.

Rep. Trujillo responded to a question from the committee stating counties try to do due diligence on whether homeowners are taking advantage of dual homeowner exemption in other states, as well as Idaho.

Responding to a question, **Rep. Perry** stated if a service member is in a combat zone, and does not apply in time, the county would have discretion on whether to grant the exemption or not. She noted the service member does not have to personally be present and could have another individual make the application on their behalf.

VOTE ON MOTION:

Vice Chairman Wood(35) called for a vote on the motion. **Motion carried by voice vote. Rep. Perry** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 10:16 am.

Representative Wood(35)
Vice Chair

Kathleen A. Simko
Secretary